

ABB India for the first time ever crossed ~30,000 Mn in revenues in Q1CY24 in addition to highest ever EBIT Margin of 18.3% & PAT margins of ~15% achieved. Order inflows stand strong in Q1 at Rs 36.1bn with backlog of Rs 89.3bn; base orders grew 3%; large orders at Rs 3.7bn in Q1. ABB does not see any slowness in their orderbook on account of elections & remains positive across all segments provided momentum in ordering from government & private capex sustains post elections as well.

Key takeaways from the concall

- ~40% of the ~89,000 Mn order backlog now pertains to project orders - which takes ~18-24 months to convert into revenue.
- These large project orders mainly pertain to traction equipment orders on the **Railways side**, Distribution solutions related orders from **Data Centers** for Electrification segment, from **Energy Sector** in the Process Automation division
- **-Commentary on Margins:** One needs to be cautious while expecting similar level gross margins since project order execution might not yield margins as high as product orderbook. **Company remains confident to sustain at least 12% PAT margins which they achieved in CY23**
- Order flows of 36,070 Mn contains **large orders worth ~3730 Mn from Data centers.**

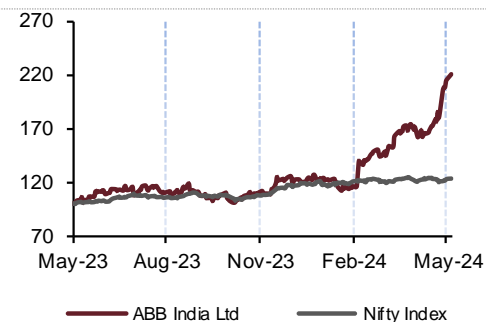
Rating	TP (Rs)	Up/Dn (%)
Accumulate	8,035	-6

Market Data

Current price	Rs	8,549
Market Cap (Rs.Bn)	(Rs Bn)	1,812
Market Cap (US\$ Mn)	(US\$ Mn)	21,740
Face Value	Rs	2
52 Weeks High/Low	Rs	8,600 / 3,804
Average Daily Volume	('000)	33
BSE Code		500002
Bloomberg		ABB.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Apr-24	Dec-23
Promoters	75.00	75.00
Public	25.00	25.00
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	CY21	CY22	CY23	CY24E	CY25E
Net sales	69,340	85,675	1,04,465	1,29,965	1,52,564
EBIDTA	5,567	9,619	14,898	20,605	25,529
Margins (%)	8.0	11.2	14.3	15.9	16.7
Adjusted net profit	5,197	876	12,421	17,266	21,293
EPS (Rs)	24.5	4.1	58.6	81.4	100.4
P/E (x)	350	2,073	146	105	85
EV/EBITDA (x)	325	186	121	86	69
RoCE (%)	13.70%	19.39%	24.94%	29.06%	29.64%
RoE (%)	12.85%	1.77%	20.89%	24.49%	24.90%

Source: Company

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- **Data centers, Railways/Metro & Electronics to be the key drivers for high growth in ABB's earnings**
- **ESG norms & higher efficiency standards will boost demand for ABB's drives in the motion segment. Affordable housing to propel growth in MCB's provided by ABB in the electrification segment**
- **Services revenue in Q1CY24 attributable to 46% from the Process Automation, 32% from Motion Segment, 22% in Electrification Segment & balance 6% from Robotics**
- **Key Sectors Driving order flows:**
 - Data centers, renewables, Railway/metro, Electronics are the high growth segments for ABB growing at north of 15-20% within ABB's orderbook & topline
 - Renewables, Automotive, Water & wastewater, warehousing & logistics currently growing between 10-15% for ABB Ltd.
 - Textiles, rubber & plastics, metals & mining, pharma are segments growing slowly currently but have historically been strong & continue to contribute significantly to ABB's orderbook

Financial Metrics

- Revenue at Rs 30,804 Mn vs Rs 24,112 Mn (+28% YoY) vs Rs 27,575 Mn (+12% QoQ) ||
- EBITDA at Rs 5,652 Mn vs Rs 4,172 Mn (+98% YoY) vs ₹2,853 Mn (+35% QoQ)
- EBITDA Margin at 18.3% vs 11.8% (YoY) vs 15.1% (QoQ)
- PBT Rs 6,171 Mn vs Rs 3,279Mn(+88% YoY) vs Rs 4,537 Mn (+36% QoQ) || PAT at Rs 4,596 Mn vs ₹ 2,452 Mn (+87% YoY) vs ₹3,452 Mn (+36% QoQ)
- EPS at Rs 21.67 vs ₹ 11.56 (YoY) vs ₹15.98 (QoQ)
- Order inflows – 36,070 Mn vs 31,250 Mn (YoY) vs 31,470 (QoQ)

Segmentals

- **Electrification: (41% of Income)**
 - **Orders Inflows** saw a 34% jump from 13,350 Mn to YoY to Rs 17,910 Mn on a YoY Basis on account of some large orders from data centers & smart buildings.
 - **Order backlog** grew by 29% YoY to Rs 24,680 Mn
 - **Revenues** grew by 30% YoY and grew 15% QoQ to Rs 12,960 Mn – owing to strong backlog execution of system & product orders
 - **Highest ever PBIT margins** of 23.7% vs 19.5% YoY and 19% QoQ .
 - Increase in margins on account of better capacity utilisations, execution of higher margin order & increase in revenue from services this quarter.

Motion (32% of Income)

- **New Orders** down by 3% YoY to Rs 11,810 Mn on account of some system orders getting delayed.
- **Order backlog** grew by 57% YoY Rs 36,750 Mn since certain orders are in the nature of project orders
- **Revenues** improved by 4 % YoY to Rs 10,130 Mn
- **Significant improvement in PBIT margins** 21% v/s 12 YoY and 17.7% QoQ on account of better mix executed this quarter in addition to better services based revenue in current quarter.

- **Process Automation (23% of Income)**
 - **New Orders** increased by 17% YoY and however on QoQ basis have dipped slightly. Major orders this quarter were from Metal, power & logistics sector.
 - **Order backlog** remains flat at ~26,860 Mn on a YoY Basis
 - **Revenue** grew by a whopping 73% YoY to Rs 7,260 mn on account of better execution & increase in export & services revenue.
 - **Improvement in PBIT margins** 16.3% v/s 9.2% YoY and 12.8% QoQ – due to better product mix & value chain optimisation.
- **Robotics (4% of Income)**
 - **Orders received** have decreased by 3% YoY to Rs 1520 Mn
 - **Order backlog** plunged by 10% YoY to Rs 1870 Mn
 - **Revenue** grew by 60% YoY to Rs 1090 mn due to better execution
 - **PBIT margins** 15.4% v/s 15.8% YoY and 11.8% QoQ
- **Breakup by Mode of Offering:**
 - **71% of revenue is from short cycle Products as against 78% in Q1CY23:** in the nature of fast moving industrial goods with a shorter turnaround time
 - **16% of Revenues in the nature of services as against 13% in Q1CY23:** higher share of services will help ABB to drive their margins forward
 - **14% by nature of projects as against 9% in Q1CY22-** these are orders with a longer gestation period & provide a certain level of consistency in revenues over time. **The current order backlog of 89,350 Mn contains almost 40% of the orders in the nature of projects which generally convert to revenue over a period of 18-24 months.**
- **Geographical Breakup:**
 - **Domestic share in revenue - 92% vs 91%(YoY) – indicating majority of growth coming from India Business.**
 - **Share of Exports in revenue -8% vs 9%(YoY)-** on absolute levels exports have increased , however due to high growth in India – relatively share of exports has gone down.

Valuation & Outlook

Looking at the emphasis placed by Government on infra & capex push in the previous 2 budgets, The capex cycle in India has just begun & the capital goods sector looks structurally strong after years of volatility. Themes like **Datacenters** (expected to grow at **25% CAGR**), **waste water management** (growing at **10% CAGR**), **electronics** & ancillary component manufacturing (growing at **30% CAGR** due to the PLI incentive scheme) are picking up at rapid pace. The Indian economy is further bolstered by expedite growth in **Railways & metro segment (growing at >15% CAGR)** & growth in **building construction & infra**.

ABB India's product profile, reputation, brand presence & technology places it in a sweet spot to seize this growth story & generate sizeable profits, high free cashflow generation & superior RoCE in the forthcoming years

At CMP of Rs 8,568 it trades at 105x CY24E EPS of Rs.81.4 and 85x CY25E EPS of Rs.100.4 . Owing to a consistent strong result performance by the company in recent 8 quarters we have raised our target multiple from 75x to 80x CY25E EPS of Rs 100.4 valuing the company at Rs 8,035 (-6% Upside). Considering the recent run-up in the prices we revise our rating to "Accumulate" from BUY on Dips.

Financials

P&L (Rs mn)	CY21	CY22	CY23	CY24E	CY25E
Net Sales	69,340	85,675	1,04,465	1,29,965	1,52,564
Total Operating Expenses	44,154	53,012	63,286	78,067	90,878
Subcontracting Charges	2,110	2,415	2,740	3,249	3,814
Employee Cost	5,882	6,353	7,152	8,224	9,458
Other Expenses	11,627	14,277	16,391	19,820	22,885
Operating Profit	5,567	9,619	14,898	20,605	25,529
Depreciation	1,027	1,047	1,199	1,434	1,763
PBIT	4,540	8,572	13,699	19,171	23,766
Other income	1,596	1,795	3,017	4,029	4,882
Interest	107	131	127	179	257
PBT (Before exceptional)	6,029	10,235	16,589	23,021	28,391
Exceptional	1,213	3,393	-	-	-
PBT (post exceptional)	7,243	13,628	16,589	23,021	28,391
Provision for tax	1,918	3,372	4,107	5,755	7,098
PAT (From continuing operations)	5,325	10,256	12,482	17,266	21,293
PAT (From Discontinuing operations)	(128)	(9,380)	(61)	-	-
MI	-	-	-	-	-
Reported PAT	5,197	876	12,421	17,266	21,293
Adjusted Profit	5,197	876	12,421	17,266	21,293

Balance Sheet (Rs mn)	CY21	CY22	CY23	CY24E	CY25E
Equity capital	424	424	424	424	424
Reserves	40,028	48,970	59,026	70,083	85,104
Net worth	40,452	49,394	59,450	70,507	85,527
Non Current Liabilities	238	285	424	458	638
Current Liabilities discontinued operations/ assets	39,543 495	43,503 -	50,142 -	62,919 -	73,946 -
TOTAL LIABILITIES	80,727	93,182	1,10,016	1,33,884	1,59,931
Non Current Assets	14,374	14,196	14,521	16,964	19,336
Fixed Assets	8,793	9,538	10,393	12,136	13,898
Goodwill	146	146	146	146	146
Non Current Investments	-	-	-	16	-
Non-current assets tax (net)	2,674	1,912	1,369	1,705	2,002
Deferred Tax Asset	939	898	1,027	1,027	1,027
Other Financial Assets	87	75	73	50	50
Other Non Current Assets	1,736	1,626	1,514	1,884	2,213
Current Assets	65,752	78,986	95,475	1,16,935	1,40,775
Current investments	-	4,932	-	6,000	7,000
Inventories	10,091	14,207	15,608	-	22,989
Trade Receivables	18,838	20,930	25,443	32,046	37,618
Cash and Bank Balances	7,181	31,469	8,769	41,576	54,091
Bank Balances other than cash & cash eqt	19,696	22	39,393	10,000	10,000
Short Term Loans and Advances	185	49	54	-	-
Other Financial Assets	6,690	2,931	1,733	2,157	2,533
Other current assets tax (net)	3,070	4,447	4,476	5,573	6,544
Other Assets(associated with discontinued operations/ assets held for sale)	602	-	-	-	-
TOTAL ASSETS	80,727	93,182	1,10,000	1,33,899	1,60,111

Cash Flow St. (Rs. mn)	CY21	CY22	CY23	CY24E	CY25E
PBT (including Discontinued Operations)	7,072	12,375	16,507	23,021	28,391
Add: Dep. & Amort.	1,027	1,047	1,199	1,434	1,763
Add: Interest Expenses	107	131	127	179	257
Operating profit before working capital change	8,206	13,553	17,833	24,634	30,411
(Inc)/Dec in Working capital adjustment	(1,166)	547	(1,191)	(2,503)	(2,167)
Gross cash generated from operations	7,040	14,100	16,642	22,132	28,244
Direct taxes paid	(1,790)	6,008	(4,046)	(5,755)	(7,098)
Others	1,268	(12,682)	915	2,333	2,118
CF from Oper. activities	6,488	7,426	13,512	18,710	23,264
CF from Inv. activities	(20,079)	18,262	(33,522)	20,285	(4,524)
CF from Fin. activities	(1,268)	(1,402)	(2,695)	(6,186)	(6,225)
Cash generated/(utilised)	(14,859)	24,287	(22,705)	32,808	12,515
Cash at start of the year	22,040	7,181	31,469	8,769	41,576
Cash at end of the year	7,181	31,469	8,769	41,576	54,091
Balance sheet	7,181	31,469	8,764	41,576	54,091

Ratios	CY21	CY22	CY23	CY24E	CY25E
OPM	8.03%	11.23%	14.26%	15.85%	16.73%
NPM	7.33%	1.00%	11.56%	12.89%	13.52%
Tax Rate	26.48%	24.74%	24.76%	25.00%	25.00%
Growth Ratios (%)					
Net Sales	19.12%	23.56%	21.93%	24.41%	17.39%
Operating Profit	105.29%	72.78%	54.88%	38.31%	23.89%
PBT	145.51%	69.76%	62.08%	38.78%	23.32%
PAT	137.07%	-83.14%	1317.70%	39.01%	23.32%
Per Share (Rs.)					
Net Earnings (EPS)	24.51	4.13	58.59	81.44	100.44
Cash Earnings (CPS)	29.36	9.07	64.24	88.21	108.75
Payout ratio	21%	11%	9%	7%	6%
Dividend	5.15	0.45	5.50	5.50	5.80
Book Value per share (BVPS)	190.81	232.99	280.42	332.58	403.43
Free Cash Flow	6,022	6,781	12,660	16,961	21,503
Valuation Ratios					
P/E(x)	349.51	2,073.30	146.24	105.20	85.31
P/B(x)	44.90	36.77	30.55	25.76	21.24
EV/EBIDTA(x)	325.02	185.59	121.36	86.15	69.06
Div. Yield(%)	0.06	0.01	0.06	0.06	0.07
FCFF Yield(%)	0.33	0.37	0.70	0.93	1.18
Return Ratios (%)					
ROE	12.85%	1.77%	20.89%	24.49%	24.90%
ROCE	13.70%	19.39%	24.94%	29.06%	29.64%

Source: Dalal & Broacha Research

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